



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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January 11, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVE REQUEST TO ENTER INTO CONTRACT NEGOTIATION WITH CGI-AMS
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

CIO RECOMMENDATION: (X) APPROVE () APPROVE WITH MODIFICATION () DISAPPROVE

IT IS RECOMMENDED THAT YOUR BOARD:

Approve the Auditor-Controller's request to enter into sole source contract negotiations with CGI-AMS to amend the current Services and License Agreement (SLA) for the eCAPS Project, for the following purposes:

1. Implement the Advantage Performance Budgeting module and related third party products targeted for use in preparation of the FY 2006 – 07 County budgets;
2. Implement the Advantage Materials Management Modules (Procurement, Vendor Self-Service, Inventory, and Fixed Assets);
3. Implement software modifications necessary to eliminate additional departmental stand-alone systems;
4. Accept the CGI-AMS proposal to license the Advantage Human Resource suite of software products and to negotiate a multi-year maintenance agreement for these products;
5. Provide consulting services to assist the County in refining business requirements for all Advantage Human Resources applications and the implementation of time collection functionality.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On April 6, 2004 your Board approved the Auditor-Controller's request to enter into a Services and Licensing Agreement (SLA) with American Management Systems, Inc. (CGI-AMS) to upgrade the County's existing financial software system (i.e., CAPS). This upgrade is referred to as the eCAPS project.

The County began implementation of the software upgrade immediately following Board approval and status reports are provided to your Board on a bi-monthly basis. The most recent status report indicated that:

- The eCAPS Project is on schedule; and
- The County eCAPS Project Team was examining the potential benefits of implementing additional modules that are available in the CGI-AMS product lines.

The additional CGI-AMS modules include applications for budgeting, procurement, inventory, fixed assets, and human resources functions. In examining the desirability of expanding the eCAPS Project to include these additional areas, the eCAPS Project Team considered both the benefits of a standard, county-wide system for these functions as well as the benefits of enhancing the automation of each function.

The eCAPS Project Team concluded that it would be beneficial to the County to develop an integrated, county-wide approach to address the technology needs of these functions and that these areas need to be closely integrated with our core financial systems. Implementing the additional CGI-AMS software modules would achieve these objectives and provide the County with many benefits, including:

- Strong integration of data between financial applications and other applications such as budgeting, procurement and human resources to avoid re-entering data into disparate systems;
- A common (standard) set of data elements (e.g., Chart of Accounts, vendor tables, organization codes, etc.) for consistent application across all departments, enhanced reporting and ease in training users of the system;
- Design of a county-wide application for the human resources functions and implementation of a common time collection functionality;
- Consistent application of policies, procedures, security, approvals and work flow across all applications;
- A single set of system equipment, software and databases for easier and less costly application maintenance and operation;
- Leveraging the experience and knowledge the County has gained during the eCAPS Project; and
- Applying a single Business Intelligence tool (Cognos) to a common reporting database structure.

In addition to the advantages associated with utilizing a county-wide approach for the functions described above, there are also inherent benefits in improving the software application associated with the budgeting, procurement, inventory, and fixed assets functions. Those benefits are detailed in Attachment I to this letter.

Human Resource Modules

Several County departments have identified urgent needs in the human resources area, particularly time collection, time scheduling, and position control. The eCAPS Advisory committee views a county-wide approach to be essential in the human resources area. The County has access at no software cost to the human resources management software, but licensing for software is contingent on negotiating a software maintenance agreement. The requested contract negotiations would focus on the following areas:

- Amending the software license to include the human resources suite;
- Negotiating a multi-year maintenance agreement similar to the current contract for the financial applications;
- Conducting the design and / or prototyping sessions for implementation of some or all of the human resource modules; and
- Negotiating an implementation agreement for time collection functionality.

It is anticipated that the project methodology for implementing any of the additional financial or human resource modules will be similar to that being used by the eCAPS Project Team. This methodology solicits input from County departments and provides a design based on both county-wide and individual department needs.

The eCAPS Project Team believes that the benefits of expanding the eCAPS Project to other functional areas are substantial. However, costs and implementation timetables associated with this effort could not be accurately determined without discussing these items in detail with CGI-AMS. Therefore, this letter requests Board authorization to initiate sole source negotiations with CGI-AMS to develop a contract amendment for your Board's consideration. No agreement will be signed until we seek and obtain Board approval. We believe that we can complete these negotiations by March 2005.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The proposed contract negotiations are for a contract amendment that would promote the Board-approved County Strategic Plan Goals of Service Excellence, Workforce Excellence, Organizational Effectiveness and Fiscal Responsibility. In addition, the continuation of implementing the financial modules supports the Auditor-Controller's objective of consolidating and standardizing departments' fiscal functions.

FISCAL IMPACT/FINANCING

The negotiation of the contract amendment will result in the use of County staff resources and minimal additional costs for outside counsel. No additional net County Cost is requested to be allocated in order to conduct the contract negotiations.

All contract amendments resulting from these negotiations will be submitted to the Board for review and approval at a future meeting. Any additional costs associated with

the contract amendment and necessary for the contractor's assistance, staff resources, software, hardware or maintenance will be presented at that time.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On April 6, 2004, your Board approved a Services and License Agreement (SLA) with American Management Systems, Inc, now know as CGI-AMS, to provide an upgrade to the County's existing financial software system on a fixed price deliverable basis at \$9,565,000 for services and software plus five years of maintenance services at \$4,250,000 (\$850,000 per year) for a contract total of \$13,815,000.

The Services and License Agreement was comprised of three major components:

- A Software License Agreement (SLA) for the complete suite of the CGI-AMS Advantage 3.4 Financial Suite of software and related third party software;
- An implementation services agreement (ISA) for implementing four of the financial software modules (General Ledger, Accounts Payable, Accounts Receivable, and Cost / Project / Grant Accounting) and
- A 5-year maintenance agreement for the full suite of Advantage 3.4 Financial modules through September 30, 2010.

The complete financial suite of software included in the SLA has four financial applications that are not being implemented under the current contract. These modules are:

- Budget Preparation (Performance Budgeting);
- Procurement (including vendor self-service);
- Inventory; and
- Fixed Assets.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

This request to enter into contract negotiations will not have an impact on current services or the current eCAPS Project. However, the negotiated contract amendment for implementation of the remaining financial modules or human resource modules will have a significant future impact on both county-wide and department systems in each functional area.

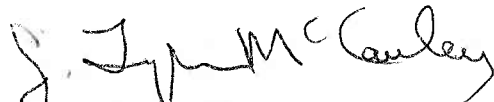
CONCLUSION

Upon the successful conclusion of contract negotiations, the Auditor-Controller will submit a contract amendment for the Board's review and approval identifying:

- The contractor cost of implementing each additional financial or human resources module recommended for implementation;
- The contractor cost for an analysis to determine the fit between the County's human resource requirements and the CGI-AMS human resources modules;
- A high level timetable for implementation of each module recommended for implementation;
- The estimated cost of any additional equipment and software necessary to implement the recommended modules;
- The proposed additional County staff resources required for a successful implementation of the recommended modules or design efforts; and
- Any other change to the existing contract necessary for the recommended future direction, such as changes to the maintenance agreement.

It is anticipated that a contract amendment would be submitted for your review and approval in March 2005. The eCAPS Advisory Committee (comprised of the CAO, CIO, ISD Director, DHR Director, and the Auditor-Controller) is in support of this request to enter into contract negotiations with CGI-AMS.

Very truly yours,



J. Tyler McCauley
Auditor-Controller

JTM:RAD
Attachments

c: David E. Janssen, Chief Administrative Officer
Dave Lambertson, ISD Director
Michael J. Henry, Director DHR
Raymond G. Fortner, County Counsel
Violet Varona-Lukens, Board of Supervisors
Information Systems Commission

Reviewed by:



Jon W. Fullinwider
Chief Information Officer

Attachment I

Benefits of Implementing Additional Financial Modules

Expansion of the eCAPS Project, by implementing the remaining financial modules, would provide significant benefits to the County. Listed below are some of the major benefits for each module:

Budget Preparation

Using the Advantage financial module for budget preparation would:

- Allow budgets to be developed and monitored at lower levels of detail to identify budgetary problems and provide capabilities which can further enhance budget analysis;
- Reduce the need for duplicate input of budget data by integrating departmental and central budget sources and processes;
- Reduce the amount of time needed to respond to inquiries by consolidating financial and budget information, providing online drill-down capabilities and providing standard reporting tools for more flexible reporting; and
- Eliminate limitations of the current system to publish and report budget information, integrate with departmental systems, and provide flexibility to accommodate needed functionality such as Performance Counts! and forecasting.

Procurement

Implementing the Procurement module would enable replacement of the purchasing system (i.e., CAMIS) currently used by ISD, as well as several departmental procurement systems. Specifically, it would give the County a single, modern county-wide procurement application and would:

- Improving efficiency by providing all departments with an automated tool to perform and manage their procurement activities;
- Improving compliance with County policies and procedures through enhanced security and approval processes;
- Enhance both ISD's and departmental capabilities to monitor the status of each purchase through the entire procurement cycle (i.e., from requisition to vendor payment) resulting in reduced processing times and improved payment cycles;
- Enhance the County's ability to analyze purchasing activity both within and across departments to identify potential purchasing savings; and
- Enhance the County's vendor self-service functionality and reduce administrative costs by providing the ability for vendors to submit bids electronically.

Inventory

Implementing the inventory module in conjunction with the Procurement module will allow for the replacement of the Department of Health Services HMMS application and

Department of Public Works FAS application. In addition, implementation of the Inventory module would result in operational savings by:

- Improving the County's ability to control and track the issuance of goods;
- Avoiding the unnecessary purchasing of goods already in inventory through an automated checking process; and
- Linking the reordering of goods to the Procurement module for a more efficient ordering process.

Fixed Assets

Implementing the Fixed Asset module would provide for improved accuracy and more efficient administration of fixed assets by:

- Establishing a county-wide fixed asset application;
- Improving the link between fixed asset records and purchases; and
- Improving the County's ability to monitor, report, and track fixed assets.

CIO ANALYSIS

**APPROVE REQUEST TO ENTER INTO CONTRACT NEGOTIATIONS WITH CGI-AMS
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

CIO RECOMMENDATION: ☒ **APPROVE** ☐ **APPROVE WITH MODIFICATION**
 ☐ **DISAPPROVE**

Contract Type:

☐ **New Contract** ☐ **Contract Amendment** ☐ **Contract Extension**
☐ **Sole Source Contract** ☒ **Other**

New/Revised Contract Term: **Base Term:** _____ **Yrs** **# of Option Yrs** _____

Contract Components:

☐ **Software** ☐ **Hardware** ☐ **Telecommunications**
☐ **Professional Services**

Project Executive Sponsor: Tyler McCauley, Auditor-Controller

Budget Information :

Y-T-D Contract Expenditures	\$N/A
Requested Contract Amount	\$N/A
Aggregate Contract Amount	\$N/A

Project Background:

Yes	No	Question
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Is this project legislatively mandated?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Is this project subvented? If yes, what percentage is offset?

Strategic Alignment:

Yes	No	Question
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project in alignment with the County of Los Angeles Strategic Plan?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project consistent with the currently approved Department Business Automation Plan?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Does the project's technology solution comply with County of Los Angeles IT Directions Document?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Does the project technology solution comply with preferred County of Los Angeles IT Standards?

Project/Contract Description:

The requested Board action will approve and authorize the Auditor-Controller and the Electronics County Accounting and Purchasing System (eCAPS) Project Team to enter sole source negotiations to amend the Services and Licensing Agreement (SLA) with CGI-AMS for the upgrade of the County's financial systems. The objectives of the planned contract modifications can be categorized into two broad goals: 1) implementation of the remaining financial modules acquired under the initial agreement, and 2) formal acquisition of the Advantage Human Resource suite of product licenses, which have been offered to the County at no cost, and professional services to refine the business requirements for the County's human resources functions. The objectives of the negotiations are to:

- Expand the existing agreement to obtain the services required to implement the Advantage Performance Budgeting module and related third party projects. The planned expansion of the Agreement would support the use of the budget module for the preparation of the Fiscal Year 2006-2007 County budgets;
 - Implement the Advantage Materials Management Modules (Procurement, Vendor Self-Service, Inventory and Fixed Assets);
 - Implement software modifications necessary to eliminate additional departmental stand-alone systems;
 - Accept the CGI-AMS proposal to provide licenses to the Advantage Human Resource suite of software products, at no cost, and negotiate the terms of multi-year maintenance for these products; and
- Acquire consulting services to assist the County in refining business requirements for all human resource related functionality.

Background:

The County entered into an Agreement with CGI-AMS to upgrade the County's existing legacy financial modules in April 2004, the project was labeled "eCAPS". The implementation plan called for the initial implementation of General Ledger, Accounts Payable, Accounts Receivable and Cost/Project/Grant Accounting, with subsequent phases anticipated for the balance of the financial modules, subject to your Board's approval. The initial phase of eCAPS is proceeding on scheduled and is planned for a July 1, 2005 implementation.

CGI-AMS subsequently provided the County with a letter which offered software licenses for their Advantage Human Resource suite of products, at no cost for the licenses. Their letter further indicated their willingness to negotiate the cost and terms of providing software maintenance for the human resource software.

During the initial months of the Phase I implementation a number of departments identified critical needs for additional functionality that resides within the suite of financial and human resource modules offered to the County by CGI-AMS. Turning to the Advantage modules as a solution for these departmental and countywide needs offered the opportunity to reduce the County's cost in implementing these modules, providing a standard countywide system that will

reduce the ongoing cost of support by limiting required interfaces, eliminating the need for retraining as staff move between departments, and providing a higher level of automation to support County business functions.

Project Justification/Benefits:

The eCAPS Project Team recognized the opportunity for the County to realize significant benefits by taking an approach that would provide an integrated countywide software solution to address the business functions that were common across County departments. The applications that have been identified as critical needs by departments that include Health Services, the Sheriff, Fire and others all need to be interfaced or closely integrated with the financial modules being implemented under the eCAPS Project. Using the modules provided within the Advantage Financial software suite and the Advantage Human Resources suite provides the required level of integration without the costly ongoing cost of supporting separate interfaces to different products. Additionally, CGI-AMS' offer to provide the Advantage Human Resource Software licenses at no cost represents a significant opportunity for an upfront reduction in County costs (cost avoidance).

Project Metrics:

The outcome of this requested action will be measured by the resulting amendment to the CGI-AMS Agreement. The terms and conditions when finally negotiated will be returned to your Board for consideration and approval. This will provide visibility into the overall scope of proposed work, the project timetable and contract costs. This project will also have the support of outside counsel, who will provide your Board with an independent assessment of the strengths and weakness of the proposed amendment.

Impact If Proposal Is Not Approved:

The County would be required to develop acquisition strategies for separate departmental solutions for the business functions which will substantially increase the cost of acquisition and the ongoing maintenance cost. Failure to approve the recommended action could also result in the missed opportunity to implement a common software solution on a countywide basis.

Alternatives Considered:

The alternative that have been discussed and deemed undesirable, is the acquisition of departmental solutions. This was judged to be a more costly course and it would limit the County's ability to manage its administrative functions using standard tools and data.

Project Risks:

This request only requests authorization to negotiate an amendment to the existing CGI-AMS agreement. The County will not be financially obligated until the Amendment is returned to your Board for final consideration and approval.

Risk Mitigation Measures:

Following the conclusion of negotiations, the resulting amendment will be submitted to your Board for consideration and approval.

Financial Analysis:

The County is not assuming any additional financial obligation with CGI-AMS based on the requested action. The County will be securing outside counsel, consistent with Board policy to assist in the development of negotiations and execution of the amendment.

CIO Concerns:

None

CIO Recommendations:

We recommend your Board's approval of the recommended action.

CIO APPROVAL

Date Received: 12/21/2004

Prepared by: Jonathan E. Williams

Date: 12/29/2004

Approved: [Signature]

Date: 12/29/04